

AR51

EAST MALARTIC MINES LIMITED

(no personal liability)

File

Annual Report

For the year ended December 31, 1975

EAST MALARTIC MINES LIMITED

(no personal liability)

OFFICERS

R. C. STANLEY, JR. President
J. C. L. ALLEN Vice-President
E. J. WADE Vice-President
I. T. H. HAMILTON Secretary

DIRECTORS

P. A. ALLEN	R. C. STANLEY, JR.
J. C. L. ALLEN	D. C. WEBSTER
F. COCHRANE	A. R. YOUNG
PAUL FORTIN	

MINE MANAGER

HARRY E. RUTETZKI

TRANSFER AGENT

MONTREAL TRUST COMPANY, Toronto and Montreal

AUDITORS

THORNE RIDDELL & CO.
Toronto, Ontario

EXECUTIVE OFFICE

Suite 1900, 101 Richmond Street West, Toronto, Ontario

EAST MALARTIC MINES LIMITED

(no personal liability)

PRESIDENT'S REPORT

To the Shareholders:

Mine operating profit was \$1,400,804 compared to \$1,114,379 in 1974. Net income for 1975 was \$2,071,635 or 50¢ per share compared to a loss of \$429,916 or 10¢ per share in 1974. Marketable Securities improved in value by ~~\$2,385,000~~ ^{\$4785,000} during the year.

During 1975 capital expenditures of \$311,500 were made and expenditures of approximately \$1,000,000 are planned for 1976. The purpose of these expenditures is to improve the mechanical efficiency of the mine and plant and permit higher production levels with a view to offsetting steadily inflating costs.

The bulk of the 1976 capital expenditures will go toward reopening the Barnat property at a production level of 15,000 tons per month by mid-year. This will require a truck dump at the East Malartic Mill to receive Barnat ore and will enable the mill to process an estimated 1,710 tons per day. In addition the truck dump will give the East Malartic operation added flexibility to receive gold ore from other properties.

Early in 1976 the East Malartic accounting system was reviewed by our auditors with the objective of clarifying the true costs of mining each ounce of gold. We are optimistic that our continuing efforts to boost production rates and control all costs will offset the effects of continuing inflation in Canada.

At the recommendation of our auditors the items "Gain (loss) on sale of investments" and "Reduction (increase) in allowance for decline in value of marketable securities" for the year 1975 have been included in the item "Income before extraordinary items" and the corresponding items for 1974 have been similarly adjusted for comparative purposes.

We would like to thank Mr. D. M. Giachino, Vice President, Mining, who retired on December 31, 1975, for his many years of dedicated service. We welcome Mr. E. J. Wade, B.A.Sc., M.B.A., P.Eng., who is now representing your Company in that capacity.

The President and Board of Directors wish to express their sincere appreciation for the excellent work and results achieved at East Malartic under the able leadership of Mr. H. E. Rutetzki, Mine Manager.

Respectfully submitted,

On behalf of the Board,

R. C. STANLEY, Jr.
President

Toronto, Ontario
March 8, 1976.

EAST MALARTIC MINES LIMITED

(no personal liability)

MINE MANAGER'S REPORT

To the President and Board of Directors
EAST MALARTIC MINES LIMITED

Gentlemen:

Herewith is my report covering our East Malartic mining operations for the year ended December 31st, 1975.

Production

During the year the total tonnage treated amounted to 561,278 tons of ore, with the average milling rate being increased to 1,538 tons per calendar day.

Bullion production for the year amounted to 55,335 fine ounces of gold and 13,959 fine ounces of silver. The total bullion production yielded a gross income of \$9,291,147 or \$16.55 per ton milled.

The average price received per fine ounce of gold in Canadian funds was \$167.91, as compared with \$168.58 in the previous year.

To date, the mine has produced a grand total of 2,644,838 troy ounces of gold and 519,201 troy ounces of silver. The total tonnage milled to date amounts to 17,585,236 tons of ore, with the average recovered grade of 0.150 ounces of gold per ton.

Ore Reserves

As of December 31, 1975 the total broken and proven ore reserves amounted to 1,861,317 tons having an average grade of 0.100 ounces of gold per ton. Probable ore reserves total 829,290 tons grading 0.102 ounces of gold per ton. Included in these reserves are 335,130 tons of proven ore grading 0.098 ounces of gold and 84,100 tons of probable ore grading 0.106 ounces at Barnat.

During the year under review, a re-evaluation of all ore reserves was made using more realistic parameters for the tonnage and grade. The current price of gold as well as the re-evaluation has influenced the calculation of the stated ore reserves.

We are optimistic that improved productivity will be made on a continuous basis; thus, enabling us to operate our mill at full capacity, at a projected rate in excess of 1,710 tons of ore per calendar day.

Development

The No. 3 (Barnat) shaft was deepened by 687.5 feet and two (2) new levels have been established. At the year end, the new pumping facilities at the 2,876 foot level horizon were operational and construction crews were installing the new loading pocket. The stope development program has been commenced and at the present time, the Barnat ore is scheduled to be on stream by mid-summer at a monthly production rate of 15,000 tons.

The total development footage obtained during the year amounted to 11,575.3 feet, which includes some 2,713 feet of advance footage in the trackless mining area below the 31st bottom level, at the No. 5 shaft.

A total of 30,529 feet of underground diamond drilling was completed during the year, as compared to 26,763 feet in 1974.

EAST MALARTIC MINES LIMITED

(no personal liability)

Exploration

During early 1975, four (4) key mining claims were purchased from the former gold producer, Canadian Malartic Gold Mines Ltd. In conjunction with the foregoing, at the No. 4 shaft a 1,055 foot by-pass drift was driven to regain access to the Main 18-West Exploration Drive's face, which is located some 1,805 feet west of the No. 4 shaft. Future exploration plans include a 3,000 foot exploration drive in the favourable ore bearing horizon of the Sladen and Canadian Malartic Gold Mines, some 1,400 feet vertically below the former gold producer's bottom working levels.

In the trackless mining area below the 31st level at East Malartic, a total of 91 diamond drill holes were drilled, with total footage drilled amounting to 22,192 feet. The results that were obtained would indicate that a major change in the rock structure has occurred below the 5,900 foot horizon, which is less favourable to ore occurrence.

Capital Expenditures

The mine, mill and plant rehabilitation program that was commenced in 1974 was continued during the year under review. Accordingly, a total of \$311,500 was expended for capital labour and new equipment.

General

A new two (2) year Collective Agreement was signed with the United Steelworkers of America, Local 4796. The net effect of the new contract increased the hourly rates by 6.3% per hour, as of October 17th, 1975. However, including fringe benefits, the average increase amounted to 9.4%.

The average number of employees on the payroll at the year end was 319 plus 8 contractors, as compared to 324 employees, 23 contractors in 1974.

Extraordinary expenditures which totalled \$115,890 were incurred in conjunction with the relocation of 9 dwellings from active mining areas.

Expenditures during the year included \$4,373,555 in wages and salaries; \$666,986 for employees' benefits and \$2,798,631 for supplies and services.

Our Accident Prevention Program was reviewed by the operating staff and new objectives and priorities were established. At this time, I am very pleased to report that as of the year end, our crews completed seven (7) consecutive months of production without a Lost Time Accident; thus, a new all time Safety Record has been achieved at our mining operations.

I would like to take this opportunity to record my thanks to the President and Board of Directors for their continued support and direction during the past year. At the same time, I wish to express my appreciation to Mr. E. N. Nelson, our Assistant Manager, the Department Heads, Staff and Employees for their assistance, co-operation and enthusiasm which resulted in 1975 being another successful year.

Respectfully submitted,

Harry E. Rutetzki
Mine Manager

January 28th, 1976

LONG LAC MINERAL EXPLORATION LIMITED

1975 REPORT

This year your Company engaged in the most aggressive search for new mines in its seven-year history. Substantial programmes were conducted in the Northwest Territories, Ontario, northwestern Quebec, western United States and Spain. Expenditures for the year totalled \$1.1 million, half of which was directed towards a major surface and underground exploration programme in northwestern Quebec.

Follow-up work resulting from the 1975 programme will include diamond drilling of numerous anomalies with indicated mineral potential on at least four projects.

The second phase of the Robb-John project including geological mapping, trenching and both airborne and ground geophysics was completed. This project covers an area of some 200,000 acres approximately 250 miles north of Yellowknife in the Northwest Territories. Texasgulf's discovery of a major deposit in the general area has heightened activity and as a result your Company has been approached by a few major companies to consider joint-venturing these holdings. Plans for the coming season are currently under review.

Your Company participated equally with Little Long Lac Gold Mines in the exploration and reassessment of the Koval property located on Little Long Lac claims in northwestern Ontario. Previous work had outlined several gold lenses in a very limited area of the property. Geophysical, geological and diamond drilling programmes were conducted to explore for new deposits and reassess the known occurrences. No significant discoveries were made with the methods employed, however, due to the extensive overburden cover (90%) and the uniqueness of the occurrence, research will be conducted as to the possibility of employing other geotechnical means to explore in this area.

A major surface and underground exploration programme was conducted on the Thompson-Bousquet project. This property is located approximately three miles northwest of the town of Cadillac in northwestern Quebec. A drill indicated 6.3 million tons of gold mineralization grading 0.066 ounces/ton has been outlined down to 500'. The deposit is suitable to open-pit mining.

A 15,000 ton bulk sample was removed from this property for both metallurgical studies and diamond drill hole assay comparison. Both studies proved favourable. In addition to the main zone two other areas have returned interesting drill hole values and these areas along with untested geophysical anomalies will undergo further examination in 1976.

As a result of studies conducted in the Bousquet Township area, three properties, Bijou, Brawley and Hinse were acquired; these properties are contiguous with the Thompson-Bousquet property. Geophysical and geological work was performed in the latter part of the year resulting in several anomalies that will require diamond drilling during 1976. Mr. Roger Doucet, Hons. B.Sc., Geol., joined the Company a year ago and is managing the Quebec-based exploration.

In the United States most of our activities were confined to Nevada in the search for gold and/or silver deposits. This work is under the direction of Mr. John Hogan, B.Sc., P.Eng., formerly a partner with Manning and Associates. Mr. Hogan joined our firm during the year and manages our Vancouver Office.

A drill programme was conducted on the Conchita property in southwestern Spain in search for base metals. This preliminary investigation was designed to sample geological, geophysical and geochemical anomalies. Of the four widely spaced drill holes completed, one intersected significant copper-gold-silver-magnetite mineralization. Further drilling will be necessary to evaluate the importance of this intersection. By spending a total of \$305,000 your Company may earn an 80% interest in this property.

A 25% working interest was acquired in Section 10 in the Sylvan Lake area, Alberta. This section has proven gas reserves in the order of 2.59 Bcf with potential reserves of 10-20 Bcf. Payout of acquisition and drilling costs are estimated to be two years with a ratio of profit to cost of 6:1. In addition our Company remains active in oil and gas exploration through Taurus Oil Limited, a Calgary-based company under the direction of Mr. John Downing.

March 11, 1976.

D. G. SHEEHAN,
Exploration Manager.

(Incorporated under

BALANCE SHEET A

ASSETS		1975	1974
CURRENT ASSETS			
Cash and short term deposits	\$	873,990	\$ 479,125
Bullion, at net realizable value		163,169	876,748
Receivable from sale of bullion		671,441	
Marketable securities, at cost less allowance for decline in market value 1975, \$1,165,000; 1974, \$1,950,000 (quoted market value 1975, \$3,555,000; 1974, \$2,769,000)		3,554,155	3,150,313
Accounts receivable		22,132	2,006
Receivable from associated companies		57,371	20,418
Mining duty instalments refundable		54,920	52,044
Supplies and other assets, at cost		971,455	779,793
		<u>6,368,633</u>	<u>5,360,447</u>
INVESTMENT IN OTHER COMPANIES, at cost			
Associated companies			
Shares (quoted market value 1975, \$940,000; 1974, \$1,505,000)		1,443,621	1,443,621
Advances		64,983	65,896
Other companies			
Listed shares (quoted market value 1975, \$97,000; 1974, \$136,000)		227,275	227,275
Other securities		49,025	98,702
		<u>1,784,904</u>	<u>1,835,494</u>
FIXED ASSETS, at cost			
Buildings, machinery and equipment		6,389,063	6,145,753
Less accumulated depreciation		5,396,785	5,282,828
		<u>992,278</u>	<u>862,925</u>
Mining properties (note 2)		208,017	206,617
		<u>1,200,295</u>	<u>1,069,542</u>
DEFERRED CHARGES			
Development and other operating expenditures deferred less amounts written off		1,303,509	632,434
Approved by the Board		<u>\$10,657,341</u>	<u>\$8,897,917</u>

P. A. ALLEN, Director D. C. WEBSTER, Director

To the Shareholders of

East Malartic Mines Limited (No Personal Liability)

We have examined the balance sheet of East Malartic Mines Limited (No Personal Liability) as at December 31, 1975 and the statements of income and retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada

February 13, 1976

AUDITOR

e laws of Quebec)

AT DECEMBER 31, 1975

LIABILITIES			
CURRENT LIABILITIES		1975	1974
Accounts payable and accrued liabilities	\$	950,644	\$1,059,846
Payable to associated companies			13,129
		<u>950,644</u>	<u>1,072,975</u>
DEFERRED INCOME TAXES AND MINING DUTIES		<u>297,500</u>	<u>84,000</u>

SHAREHOLDERS' EQUITY			
CAPITAL STOCK (note 3)			
Authorized — 7,500,000 Shares of \$1 each (1974, 5,000,000 Shares)			
Issued — 4,119,000 Shares (1974, 4,114,000 Shares)		4,119,000	4,114,000
Less discount on shares		<u>2,122,312</u>	<u>2,125,732</u>
		1,996,688	1,988,268
RETAINED EARNINGS		<u>7,412,509</u>	<u>5,752,674</u>
		<u>9,409,197</u>	<u>7,740,942</u>

Commitments (note 5)

\$10,657,341 \$8,897,917

REPORT

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1975 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.,
Chartered Accountants

EAST MALARTIC MINES LIMITED

(no personal liability)

STATEMENT OF INCOME AND RETAINED EARNINGS YEAR ENDED DECEMBER 31, 1975

	1975	1974
Operating revenue		
Bullion recovery	\$9,291,147	\$7,735,045
Operating expenses		
Mine development	157,596	828,039
Mining	4,479,971	3,403,545
Milling	1,232,435	908,313
Other expenses at the property	1,581,566	1,213,727
Administrative and corporate expenses	253,776	175,042
Quebec mining duties	185,000	92,000
	<u>7,890,344</u>	<u>6,620,666</u>
Operating profit before the undernoted items	1,400,803	1,114,379
Depreciation	175,384	144,708
Deferred development written off	139,190	56,744
Outside exploration	120,578	39,329
	<u>435,152</u>	<u>240,781</u>
	965,651	873,598
Gain (loss) on sale of investments	26,959	(108,312)
Reduction (increase) in allowance for decline in quoted market value of marketable securities	785,000	(1,600,000)
	<u>811,959</u>	<u>(1,708,312)</u>
	1,777,610	(834,714)
Income from investments	297,311	404,798
Income (loss) before income taxes and extraordinary items	<u>2,074,921</u>	<u>(429,916)</u>
Income taxes (note 4)		
Current	490,000	
Deferred	35,000	
	<u>525,000</u>	
Income (loss) before extraordinary items (note 7)	<u>1,549,921</u>	<u>(429,916)</u>
Extraordinary items		
Gain on sale of machinery and equipment	31,714	
Income tax reduction (note 4)	490,000	
	<u>521,714</u>	
NET INCOME (LOSS)	2,071,635	(429,916)
RETAINED EARNINGS AT BEGINNING OF YEAR	5,752,674	6,182,590
	<u>7,824,309</u>	<u>5,752,674</u>
Dividends Paid	411,800	
RETAINED EARNINGS AT END OF YEAR	<u>\$7,412,509</u>	<u>\$5,752,674</u>
EARNINGS (LOSS) PER SHARE		
Income (loss) before extraordinary items	38¢	(10¢)
Net income (loss)	50¢	(10¢)

EAST MALARTIC MINES LIMITED

(no personal liability)

STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED DECEMBER 31, 1975

	1975	1974
WORKING CAPITAL DERIVED FROM		
Operations	\$2,330,912	
Proceeds from sale of other investments	300,000	
Reduction of advances to associated company	913	
Proceeds from sale of fixed assets	38,477	\$ 70
Issue of capital stock	8,420	70,120
	<u>2,678,722</u>	<u>70,190</u>
WORKING CAPITAL APPLIED TO		
Operations		144,464
Acquisition of shares in other companies	34	26,301
Advances to associated company		65,896
Purchase of mining properties	1,400	26,999
Additions to fixed assets	311,500	463,184
Development and other operating expenditures deferred	823,471	652,147
Dividends paid	411,800	
	<u>1,548,205</u>	<u>1,378,991</u>
INCREASE (DECREASE) IN WORKING CAPITAL	1,130,517	(1,308,801)
WORKING CAPITAL AT BEGINNING OF YEAR	4,287,472	5,596,273
WORKING CAPITAL AT END OF YEAR	<u>\$5,417,989</u>	<u>\$4,287,472</u>

EAST MALARTIC MINES LIMITED

(no personal liability)

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1975

1. ACCOUNTING POLICIES

(a) Marketable Securities

Marketable securities are recorded at cost less an allowance for decline in market value which is adjusted annually at each year end.

(b) Investment in Shares of Other Companies

Investments in associated companies are recorded at cost.

The investments in other companies which the company considers to be long term in nature are recorded at cost.

Because of the number of shares involved, the amounts that would be realized if these securities were to be sold may be more or less than their indicated market value.

(c) Fixed Assets

(i) Buildings, machinery and equipment

All buildings, machinery and equipment are stated at cost. Depreciation is provided on the straight-line basis at 10% annually.

(ii) Mining properties

Mining properties are recorded at cost. When the properties are considered to be permanently uneconomical they are written off.

(d) Deferred Charges

Exploration and development expenditures relating to producing properties are written off as incurred. Development expenditures on non-producing properties are written off at a minimum of 10% per annum, the balance being deferred until production commences or the property is considered to be permanently uneconomical. When production commences, these expenditures are then written off over the expected remaining life of the mine. When a property is considered to be permanently uneconomical the related development expenditures are written off.

Outside exploration is written off as incurred.

Deferred operating expenditures are written off over their expected useful life.

2. MINING PROPERTIES

In 1974 the company acquired additional Mining Concessions in Fournier Township, Quebec for \$26,999. As additional consideration, the company agreed to pay to the vendor a variable yearly royalty of twenty-five percent of the operating profits, if any, as defined under the agreement.

3. CAPITAL STOCK

By supplementary letters patent dated July 7, 1975, the company increased its authorized capital from 5,000,000 to 7,500,000 shares with a par value of \$1 each.

EAST MALARTIC MINES LIMITED

(no personal liability)

In 1975, 5,000 shares were issued to employees under an incentive stock option plan for \$8,420 cash.

At December 31, 1975 employee incentive stock options were outstanding as follows:

No. of shares	Price per share	Exercisable before
15,000	\$3.00	January 16, 1978
7,000	3.42	June 14, 1976
10,500	4.56	May 15, 1977

4. INCOME TAXES

Current income taxes have been eliminated by claiming for tax purposes capital cost allowance and development expenditures in excess of the related amounts written off in the company's records for the year and losses carry forward.

5. COMMITMENTS

Purchase commitments outstanding for mine equipment as at December 31, 1975 amounted to approximately \$420,000.

6. ANTI-INFLATION LEGISLATION

The company is subject to the regulations of the Anti-Inflation Act (Canada) which became effective October 14, 1975. This Act imposes restrictions on revenues, compensation to employees and payment of dividends to shareholders. There are many uncertainties as to the interpretation and application of the legislation and therefore its impact on the future operations of the company cannot be determined except with respect to the payment of dividends to its shareholders. Under these regulations, the maximum dividend per share that the company may pay or declare in the twelve months ending October 13, 1976 is 10¢ per share.

As presently understood by the company, the provisions of this Act have had no significant effect on the company's earnings for the year ended December 31, 1975.

7. COMPARATIVE FIGURES

Certain 1974 figures have been reclassified to conform with the financial statement presentation adopted for 1975.

8. OTHER STATUTORY INFORMATION

Direct remuneration of the company's directors and senior officers (including the five highest paid employees) as defined by The Securities Act of Ontario was as follows:

	1975	1974
Directors and officers	\$ 60,975	\$ 55,250
Mine employees	73,533	56,528
Total	<u>\$134,508</u>	<u>\$111,778</u>

